

Message Text

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PAGE 01 MOGADI 00653 100956 Z

46

ACTION AF-18

INFO OCT-01 EUR-25 IO-12 ADP-00 AGR-20 COA-02 AID-20

CIAE-00 COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01

TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01

DODE-00 PA-03 USIA-12 PRS-01 PM-09 NSC-10 SS-15 RSR-01

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FM AMEMBASSY MOGADISCIO
TO SECSTATE WASHDC 803
INFO AMEMBASSY ADDIS ABABA
AMEMBASSY MOSCOW
AMEMBASSY NAIROBI
AMEMBASSY ROME
USMISSION USUN NEW YORK

C O N F I D E N T I A L MOGADISCIO 0653

E. O. 11652: GDS

TAGS: PFOR EGEN IT SO

SUBJ: CLOSER SOMALI ECONOMIC LINKS WITH ITALY?

REF: A. MOGADISCIO 0625; B. MOGADISCIO 0506

1. SUMMARY: SEVERAL LOCAL SOURCES REPORT THAT ITALIANS PLAN TO INCREASE THEIR ECONOMIC ASSISTANCE AND PRIVATE INVESTMENT IN SOMALIA AND THAT GSDR IS NEGOTIATING FOR ITALIANS TO ASSUME MANAGEMENT ROLE IN SOME STATE ENTERPRISES TO REPLACE PRESENT SOVIET MANAGEMENT/ ADVISORY TEAMS. SOVIETS WILL PROBABLY RESIST EFFORTS TO DISPLACE THEM: US- OWNED FISH PLANTS MAY BENEFIT. END SUMMARY.

2. DURING RECENT VISIT HERE, ITALIAN UNDER SECRETARY PEDINI PRESSED BY GSDR TO ENLARGE ITALIAN PUBLIC ASSISTANCE AND PRIVATE INVESTMENT IN SOMALIA (REF B). NEGOTIATIONS NOW RE-
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PAGE 02 MOGADI 00653 100956 Z

PORTEDLY UNDERWAY FOR LARGE- SCALE GSDR- GOI COMMERCIAL AGREE-
MENT WHICH WOULD INVOLVE ADDITIONAL ITALIAN PRIVATE INVEST-
MENT IN SEVERAL SECTORS. REPORTEDLY PROJECT CLOSEST TO
REALIZATION IS FOR ITALIAN CONSORTIUM TO TAKE OVER AND RENOVATE
EXISTING FISHING ACTIVITIES AND PLANTS ON GULF OF ADEN AND
ALONG NORTHEAST SOMALI COAST (PRESUMABLY INCLUDING PROBLEM-
PLAGUED SOVIET FACTORY AT LAS KOREH). STILL SUBJECT TO FURTHER
NEGOTIATION WOULD BE ITALIAN MANAGEMENT OF CHISIMALIO MEAT
FACTORY BUILT AND PRESENTLY OPERATED BY THE SOVIETS. (GSDR
AT PRESENT VERY UNHAPPY WITH EXPORT PRICE STRUCTURE AND MANAGE-
MENT OF THIS FACTORY.) IT EVEN SPECULATED THAT ITALIANS WILL
BE ASKED TO BECOME INVOLVED IN FANOLE HYDRO/ ELECTRIC IRRIGATION
SCHEME ON GIUBA RIVER WHICH IS SOVIETS' MAJOR ONGOING ECONOMIC
ASSISTANCE PROJECT.

3. COMMENT:

A. IF THESE NEGOTIATIONS PRODUCE RESULTS, SOVIETS WILL NOT
BE HAPPY. DURING PAST YEAR SOVIETS HAVE INTRODUCED MODERN
SOVIET- FLAY TRAWLERS TO FISH SOMALI OFFSHORE WATERS. EX-
TENSIVELY- CAPITALIZED ITALIAN SCHEME WOULD PROVIDE REAL
SOMALI ALTERNATIVE TO FUTURE SOVIET EXPANSION OF FISHING
ACTIVITIES. EVEN MORE DAMAGING TO SOVIET BALANCE SHEET WOULD
BE LOSS OF CONTROL OF CHISIMAIO MEAT FACTORY. AT MOMENT IT HAS
BULK SALES CONTRACT WITH USSR AT PRICES WELL BELOW WORLD
MARKET.

B. IT VERY DOUBTFUL THAT ITALIANS WOULD WANT TO TOUCH
FANOLE PROJECT, EXCEPT PERHAPS TO SELL SOME EQUIPMENT. WITH
ITS SHAKY COST/ BENEFIT UNDERPINNINGS, FANOLE HAS ALL THE
EARMARKS OF LONG- TERM TROUBLE FOR ANY DONOR.

C. IF SOMALIS INDEED WANT LARGE ITALIAN PRIVATE INVESTMENT
IN FISHERIES, THIS SHOULD REMOVE MUCH OF EXISTING DOUBT ABOUT

GSDR NATIONALIZATION IN THIS SECTOR. REPORTS ITALIAN INVEST-
MENT SHOULD HELP STATUS OF AID PARTIALLY- OWNED SAFCO FISHING
PLANT AT ALULA, AS WELL AS PROVIDING MORE FAVORABLE CLIMATE
FOR BUYER OF US PRIVATELY- OWNED OPIC- INSURED PRODMA SHRIMP
PLANT IN CHISIMAIO.

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